



MEMORANDUM

March 31, 2025

To: Daniel Ballard
Deputy Chief Financial Officer, F

Irving Dennis
Principal Deputy Chief Financial Officer, F

Jimmy Fleming-Scott
Chief Procurement Officer, N

From: Kilah S. White
Assistant Inspector General for Audit, GA

Subject: Audit Memorandum-2025-FO-0802- HUD Open Obligations Review Results

To determine whether all the unexpended obligations of HUD are valid and meet funding guidelines, the Office of the Chief Financial Officer (OCFO) coordinates annually an Open Obligation Review (OOR) of all program and administrative funds. This review determines which funds are still needed and certifies to Treasury that the funds remaining in its obligation balance at the end of the fiscal year represent future obligations for the department. The Review of Open Obligations is also referred to as a Section 1311 Review (Section 1311, Public Law 83-663, 31 USC 1501) of the Federal Managers Financial Integrity Act. HUD's departmentwide annual OOR and certification process is an essential part of HUD's internal control over its funding and financial reporting.

Historically, HUD OIG has audited the OOR as part of the annual financial statement audit. We have not reported findings in this area as part of the financial statement audit for the last six years because the amounts identified for deobligation have remained below the materiality set for audit.

REVIEW RESULTS

We conducted our review to identify HUD's open obligations marked for deobligation during the fiscal year 2024 OOR that had not been deobligated as of February 28, 2025. As seen in the following table, we found the following amounts that were identified for deobligation but had not been deobligated:

- 835 administrative obligations¹ totaling \$38.5 million (\$38,525,836.88).
- 101 program obligations² totaling just under \$2 million (\$1,967,991.45).

Table 1. Open Obligations Not Deobligated Timely³

Program Office	Number of Administrative Obligations	Dollar Amount of Administrative Obligations	Number of Program Obligations	Dollar Amount of Program Obligations
Public and Indian Housing	44	\$1,171,298.86	3	\$18,937.78
Housing	406	\$26,297,377.46	93	\$1,830,710.81
Chief Information Officer	183	\$7,779,266.15	N/A	N/A
Administration	153	\$3,055,116.17	N/A	N/A
Community Planning and Development	20	\$3,354.08	2	\$104,665.45
Other	29	\$219,424.06	3	\$13,677.41
Totals	835	\$38,525,836.88	101	\$1,967,991.45

Program Offices were required to certify the status of their obligations to OCFO as part of the OOR by July 2024. For obligations that were determined as no longer needed, corresponding closeout packages were to be submitted by the Program Offices to OCFO or the Office of the Chief Procurement Officer (OCPO) in order for the deobligation to occur in a timely manner. Therefore, these obligations have not been deobligated likely because either (1) the Program Offices had not provided the necessary documentation to the OCPO or OCFO in order to process the deobligation, or (2) the OCPO has been delayed in processing and closing out internal contracts in the Procurement Request Information System Management (PRISM) for reasons not related to the receipt of closeout packages. During our review, we also found nine HUD OIG administrative obligations totaling \$1.1 million (\$1,124,590.84) that had not been deobligated and we took immediate action to deobligate the funds.

¹ Administrative obligations are for procurement contracts maintained in HUD’s Procurement Request Information System Management (PRISM) system.

² Program obligations are for program contracts, grants, and subsidies maintained in HUD’s Line of Credit Control System (LOCCS) and HUD’s Central Accounting and Program System (HUDCAPS).

³ A detailed list of the obligations was provided separately to the individual program offices.

A careful review of open obligations strengthens HUD's internal controls by removing balances from the accounting system that are no longer required for future payments, identifies funds that could be used for current requirements, and supports HUD's formal year-end certification to the Department of Treasury. While HUD has completed that careful review, the objective is not met if obligations that are no longer needed are not timely deobligated. While these amounts represent a small percentage of HUD's total open obligations, it is important that all funds identified as no longer needed are promptly deobligated so they can be used to meet other HUD requirements or returned to Treasury for other needs.

RECOMMENDATIONS

We recommend the Office of the Chief Procurement Officer, in coordination with the Office of the Chief Financial Officer, and the respective Program Offices:

1. Deobligate the 835 administrative obligations totaling \$38,525,836.88 identified for deobligation during the fiscal year 2024 OOR that had not been deobligated as of February 28, 2025.

We recommend the Office of the Chief Financial Officer, in coordination with the respective Program Offices:

2. Deobligate the 101 program obligations totaling \$1,967,991.45 identified for deobligation during the fiscal year 2024 OOR that had not been deobligated as of February 28, 2025.

This review was conducted in accordance with Quality Standards for Federal Offices of Inspectors General issued by the Council of the Inspectors General on Integrity and Efficiency (August 2012). The work adheres to the professional standards of independence, due professional care, and quality assurance, and followed procedures to ensure accuracy of the information presented.

MANAGEMENT'S RESPONSE

We provided a draft memo to HUD for comment on March 14, 2025. Due to the numerous HUD principals involved in addressing the recommendations, we requested the OCFO coordinate and consolidate comments. The Deputy Chief Financial Officer provided comments in an email on March 24, 2025.

The OCFO and OCPO agreed with the results of our review and accepted the recommendations. HUD indicated that it has already acted to deobligate some of the obligations included in the memo. HUD also described its current open obligation review and deobligation process and noted that HUD's Program Offices continue to make significant strides in this area, which it attributes to collaboration and the effectiveness of its process. HUD also noted that since the obligations noted in our memo were not deobligated by September 30, 2024, they will all be included in the fiscal year 2025 open obligation review. HUD stated that it will continue to monitor and complete the deobligations identified in our draft memo, as well as the obligations certified as part of the fiscal year 2025 open obligation review, which it expects to complete by September 30, 2025.

OIG'S EVALUATION OF MANAGEMENT'S RESPONSE

We agree HUD has made significant improvements in deobligating open obligations. However, we believe that additional action should be taken to promptly deobligate these obligations that HUD has already marked for deobligation during the fiscal year 2024 open obligation review. Simply including them in the population of obligations to be reviewed for fiscal year 2025 duplicates efforts during this annual cycle, and could result in deobligations over a year after they were originally identified. HUD should separately track, prioritize, and promptly deobligate the obligations included in this memo which would ensure the effective and efficient use of this funding, accurate and reliable financial reporting, and allow the deobligated funds to meet other HUD requirements or be returned to Treasury for other needs.

We look forward to working with HUD during the audit resolution process to ensure appropriate corrective action plans are implemented that will fully and expeditiously address the recommendations in this memo.